

PROPOSED RESOLUTION

Resolution W-5110
WD

Agenda ID #15103 (Rev. 1)
Item #31

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5110
September 15, 2016

RESOLUTION

(RES. W-5110) SAN GABRIEL VALLEY WATER COMPANY, ORDER AUTHORIZING SURCHARGES TO RECOVER \$1,922,748, OR AN INCREASE OF 3.1% IN GENERAL METERED SERVICE, FOR LOST REVENUE DUE TO MANDATORY CONSERVATION IN ITS FONTANA WATER COMPANY DIVISION TO BE PAID BY THE RATEPAYERS.

By Advice Letter 478-A, filed May 11, 2016.

SUMMARY

This Resolution grants San Gabriel Water Company's (San Gabriel) recovery in rates of \$1,922,748 by adding a surcharge of \$0.1183 per 100 cubic feet (Ccf) to the Quantity Rates in each customer's bill to be recovered over twelve months in its Fontana Water Company Division. As a result, the bill for the average customer using 19 Ccf per month will increase by \$2.25 per month, or approximately 2.9%. The increases requested are to recover the balance of 1) the lost revenues tracked in San Gabriel's Drought Lost Revenue Memorandum Account (DLRMA), using Commission approved Water Conservation Memorandum Account (WCMA) methodology, resulting from reduced water consumption by customers, minus 2) the net surcharges and interest tracked in San Gabriel's Drought Surcharge Revenues Memorandum Account (DSRMA) during the period of June 2015 through January 2016.

BACKGROUND

On January 17, 2014, Governor Edmund G. Brown Jr., proclaimed a Drought State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In accordance with the Governor's directives, the Commission issued Resolution W-4976 adopting drought procedures for water conservation, rationing and service connection moratoria ("Drought Procedures") on February 27th,

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2014 and required that all Class A and B water utilities that had an existing Tariff Rule 14.1 to activate the Rule within 30 days of the Resolution's effective date. The Drought Procedures, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling Water Revenue Adjustment Mechanism (WRAM) may request to add a Water Conservation Memorandum Account (WCMA) to track lost revenue associated with reduced sales as a result of activating Rule 14.1.

By AL 462-A effective June 1, 2015, the Commission authorized San Gabriel to establish a Drought Lost Revenue Memorandum Account (DLRMA) to track the revenue impact of voluntary conservation or mandatory rationing. San Gabriel's Schedule 14.1, made effective June 22, 2015, established San Gabriel's Drought Surcharge Revenue Memorandum Account (DSRMA) to track drought surcharges for Commission disposition.

By AL 478-A filed on May 11, 2016, San Gabriel requests Commission authorization for its Fontana Water Company Division to transfer the accumulated balance in the DLRMA minus the balance from the DSRMA from June 2015 through January 2016, for a total of \$1,922,748, into the Previously Authorized Balances Balancing Account (PABBA) and amortize the amount over a period of 12 months through a surcharge of \$0.1183 per Ccf.

NOTICE AND PROTEST

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order 96-B, San Gabriel served copies of AL 478 to adjacent utilities and other parties requesting such notification, on April 15, 2016. In accordance with Water Industry Rule 3.3 (id), San Gabriel also posted the advice letter on its website.

A protest was received on May 12, 2016 from the Office of Ratepayer Advocates (ORA) regarding the DLRMA's departure from the WCMA methodology.

San Gabriel filed supplement AL 478-A which utilized the WCMA methodology for its DLRMA balance.

DISCUSSION

San Gabriel seeks to recover the balance in the DLRMA for reduced water consumption

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by customers that resulted from San Gabriel's implementation of mandatory water measures during the period of June 2015 through January 2016, counted against the balance collected from drought surcharges in the DSRMA. To determine the surcharge, San Gabriel added the shortfall from the DLRMA to San Gabriel's Previously Approved Balances Balancing Account (PABBA), as authorized in AL 462-A. The accumulated balance in the DLRMA from June 2015 through January 2016 is \$4,538,285. The accumulated surcharges and interest collected in the DSRMA is \$2,440,877. The combined balance of \$1,922,748 after earnings adjustment¹ is proposed to be added into the PABBA for amortization over a period of 12 months.

ORA found that San Gabriel's proposed recovery of the DLRMA in AL 478 was not in accordance with the methodology adopted by the Commission in D. 90-08-055 and D. 91-10-042, and notified Water Division. ORA subsequently filed a protest on May 12, 2016.

San Gabriel was notified of ORA's finding by Water Division and filed supplement AL 478-A on May 11, 2016 to use the correct WCMA methodology.

The Commission in D. 90-08-055 and D. 91-10-042 established the methodology for computing revenue losses resulting from mandatory and voluntary conservation programs. D. 90-08-055 states that the difference between actual and normalized consumption is required to assess the change in revenues and variable expenses during the conservation period.

In accordance with D. 91-10-042, San Gabriel complied with the risk reduction adjustment. However, San Gabriel did not use the proper methodology for determining lost revenues during the conservation period. In AL 478, San Gabriel used WRAM mechanisms to determine revenue shortfall, which is not the authorized method for recovery of Water Conservation Memorandum Accounts.

D. 90-08-055 states that a utility's adopted annual water sales are based on the adopted normalized annual water use per connection. The adopted monthly water sales are determined by using historical sales distribution data. San Gabriel revised AL 478 to

¹ Ordering Paragraph 3 of D. 91-10-042 states that memorandum account balances tracking revenue losses from mandatory and voluntary conservation programs must be reduced; specifically, with a risk reduction adjustment equal to a 20 basis point reduction in the utility's last authorized rate of return on equity from the utility's cost of capital proceeding.

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utilize the method outlined in D. 90-08-055 and revised San Gabriel's adopted monthly water sales accordingly. San Gabriel subsequently estimated the revised total sales difference and used this figure to determine the expense reduction due to reduced water sales in AL 478-A.

Water Division reviewed San Gabriel's calculations in AL 478-A. Water Division also reviewed documented support for the balances in the DLRMA and DSRMA. Water Division finds the balances and the revised surcharge calculations for \$0.1183 per ccf, applied for a period of 12 months, to be just and reasonable.

SAFETY CONSIDERATIONS

The recovery of the balances in San Gabriel's DLRMA/DSRMA will provide the utility with additional financial resources to safely operate and maintain its operations for the benefit of its customers, employees, and members of the general public.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However, Section 311(g)(2) provides for waiver of the comment period for an uncontested matter in which the decision grants the relief request as is the case here.

Accordingly, this Proposed Resolution was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. On April 15, 2016, San Gabriel Valley Water Company (San Gabriel) filed Advice Letter (AL) 478 to request amortization of its Drought Lost Revenue Memorandum Account (DLRMA) and Drought Surcharge Revenue Memorandum Account (DSRMA) for its Fontana Water Company Division. San Gabriel requested to recover in rates the amount of \$1,917,180, or 3.1% of 2016 authorized revenues by adding a surcharge of \$0.1180 per 100 cubic feet to the Quantity Rates in each metered customer's bill to be recovered over 12 months.
2. Protests were received for AL 478.

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3. On May 12, 2016, Water Division suspended AL 478.
4. Decisions (D.) 90-08-055 and 91-10-042 established the method for computing revenue losses resulting from mandatory and voluntary conservation programs. San Gabriel has used the proper methodology outlined in D. 90-08-055 and D. 91-10-042 applying a 20 basis point risk reduction adjustment to the DLRMA balance.
5. ORA found that San Gabriel did not use the proper methodology outlined in D. 90-08-055 and D. 91-10-042 to determine revenues lost in the DLRMA.
6. San Gabriel was notified of the errors present in AL 478 and submitted AL 478-A with the necessary corrections on May 11, 2016. In AL 478-A, San Gabriel requests to recover in rates the amount of \$1,922,748, or 3.1% of 2016 authorized revenues by adding a surcharge of \$0.1183 per 100 cubic feet to the Quantity Rates in each metered customer's bill to be recovered over 12 months.
7. Water Division finds the AL 478-A balances of the DLRMA and DSRMA and the resulting surcharge of \$0.1183 per 100 cubic feet over a period of 12 months to be just and reasonable.
8. In accordance with AL 462-A and AL 464-A, San Gabriel is authorized to transfer the June 2015 through January 2016 DLRMA and DSRMA balances into its Previously Authorized Balances Balancing Account (PABBA) to be amortized over a period of 12 months for its Fontana Water Company Division.
9. San Gabriel Valley Water Company should be authorized to file a supplement to Advice Letter 478-A to incorporate the new Special Conditions listed on the rate schedules (Appendix A) and to concurrently cancel its presently effective Rate Schedules.

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THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to transfer \$4,538,285 from its Drought Lost Revenue Memorandum Account and \$2,440,877 from its Drought Surcharge Revenue Memorandum Account for a total under-collection after earnings adjustment of \$1,922,748, or 3.1%, to its Previously Authorized Balance Balancing Account for its Fontana Water Company Division. San Gabriel Valley Water Company is authorized to earn interest on the balance in this balancing account at the 90-day commercial paper rate.
2. The rate schedules attached to this Resolution as Appendix A allow San Gabriel Water Company to implement a surcharge of \$0.1183 per 100 cubic feet added to the quantity rates over 12 months to recover in rates \$1,922,748 in lost revenues.
3. Authority is granted under Public Utilities Code Section 454 to San Gabriel Valley Water Company to file a supplemental Advice Letter incorporating the new Special Conditions listed on the Rate Schedules attached to this Resolution as Appendix A and to concurrently cancel its presently effective Rate Schedules. The effective date of the Rate Schedules shall be the date of filing.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 15, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A San Gabriel Valley Water Company

Schedule No. FO-1 Fontana Water Company Tariff Area GENERAL METERED SERVICE (continued)

<u>RATES</u> (continued)	Per Battery <u>Per Month</u>
For two 2-inch meters	\$ 224.00
For three 2-inch meters	336.00
For four 2-inch meters	447.00
For two 3-inch meters	420.00
For two 4-inch meters	701.00
For one 8-inch meter, two 2-inch meters	1,341.00
For two 8-inch meters	2,219.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcharge of \$0.2408/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
4. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
5. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
8. A surcharge of \$0.1183 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

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APPENDIX A

San Gabriel Valley Water Company

Schedule No. FO-1C

Fontana Water Company Tariff Area

GENERAL METERED SERVICE – CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County..

RATES

Quantity Rate:

For the first 16 Ccf of water used, per 100 cu. ft.	\$ 2.5221
For all Ccf greater than 16 Ccf, per 100 cu. ft.	\$ 2.9006

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 14.64
For 3/4-inch meter	21.96
For 1-inch meter	36.61
For 1-1/2-inch meter	73.22
For 2-inch meter	117.18
For 3-inch meter	219.62

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcharge of \$0.2408/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
4. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
5. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
6. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
7. A surcharge of \$0.1617 per Ccf for an 11-month period beginning on August 27, 2015 is to be applied to the quantity rate to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.
8. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
9. A surcharge of \$0.1183 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, (N) 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)

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APPENDIX A

San Gabriel Valley Water Company

Schedule No. FO-6

Fontana Water Company Tariff Area

RECYCLED WATER METERED SERVICE

(continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 224.00
For three 2-inch meters	336.00
For four 2-inch meters	447.00
For two 3-inch meters	420.00
For two 4-inch meters	701.00
For one 8-inch meter, one 2-inch meter	1,341.00
For two 8-inch meters	2,219.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 75% of the Quantity Rate of Schedule No. FO-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcharge of \$0.1047 per Ccf is to be applied to the quantity rates for remainder of thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
6. A surcharge of \$0.2408 per Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
7. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
8. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
9. A surcharge of \$0.1352 per Ccf is to be applied to the quantity rates of non-CARW customers for twenty-four months beginning on the effective date of Advice Letter 475 and ending on February 21, 2018 to amortize the undercollection in the California Alternative Rates for Water (CARW) Balancing Account.
10. A surcharge of \$0.1183 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N) (N) (N)

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APPENDIX A

San Gabriel Valley Water Company

Schedule No. FO-CARW

Fontana Water Company Tariff Area

CALIFORNIA ALTERNATIVE RATES FOR WATER

(continued)

SPECIAL CONDITIONS (continued)

2. Application and Eligibility Declaration: An application and eligibility declaration on a form authorized by the Commission is required for each request for service under this schedule. Renewal of a customer's eligibility declaration will be required every two years and may be required on an annual basis. Customers are only eligible to receive service under this rate schedule at one residential location at any one time, and the rate applies only to the customer's permanent primary residence. The schedule is not applicable where, in the opinion of the Utility, either the accommodation or the occupancy is transitory.
3. Commencement of Rate: Eligible customers shall be billed on this schedule commencing no later than one billing period after receipt and approval of the customer's application by the Utility.
4. Verification: Information provided by the applicant is subject to verification by the Utility. Refusal or failure of a customer to provide documentation of eligibility acceptable to the Utility, upon the request of the Utility, shall result in removal from this rate schedule.
5. Notice from Customer: It is the customer's responsibility to notify the Utility if there is a change in the customer's eligibility status.
6. Customers may be re-billed for periods of ineligibility under the applicable rate schedule.
7. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
8. A surcredits of \$0.1047 per Ccf is to be applied to the quantity rates for the remainder of the thirty-six months ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
9. A surcharge of \$0.1440 per Ccf is to be applied to the quantity rates for thirty-one months beginning on February 13, 2015 and ending on September 12, 2017 to recover an undercollection recorded in the Interim Rates Memorandum Account.
10. A surcharge of \$0.1257 per Ccf is to be applied to the quantity rates for twenty-four months beginning on May 6, 2015 and ending on May 5, 2017 to recover the March 2015 undercollection recorded in the Water Production Balancing Account.
11. A surcharge of \$0.1394 per Ccf is to be applied to the quantity rates for a twelve month period beginning on October 27, 2015 to amortize the undercollection in the Water Quality Litigation Memorandum Account (WQLMA).
12. A surcharge of \$0.1617 per Ccf for an 11-month period beginning on August 27, 2015 is to be applied to the quantity rate to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.
13. A surcharge of \$0.1183 per Ccf is to be applied to the quantity rates for twelve-months beginning on the effective date of xxxx, 2016 to amortize the net undercollection in the Drought Lost Revenue and Drought Surcharge Revenue Memorandum Accounts. (N)
(N)
(N)

END OF APPENDIX A

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SAN GABRIEL VALLEY WATER COMPANY ADVICE LETTER 478 SERVICE LIST

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